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IN THE

Supreme Court of the United States

OCTOBER TERM, 1970

No.

CHEMICAL CLEANING, INC., JOHN H. RUSCH and GEORGE LEWIS, *Petitioners*

v.

THE DOW CHEMICAL COMPANY, *Respondent*

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

Petitioners, Chemical Cleaning, Inc., et al, pray that a writ of certiorari issue to review the decision of the United States Court of Appeals for the Fifth Circuit, which denied the Petitioner's request on rehearing for a remand to the lower court for a validity determination of the Respondent's patent in suit, based upon this Court's decision in *Lear* v. *Adkins,* 395 U.S. 653 (1969).

CITATIONS TO OPINIONS BELOW

The denial, dated December 17, 1970, by the Court of Appeals of Petitioner's request on rehearing for a determination of the validity of Respondent's patent is not reported and no opinion was given. The denial is printed in the Appendix hereto at page 17a. The first opinion by the Court of Appeals in this litigation is reported at 379 F.2d 294, (1967); (App., *infra,*

p. 4a); cert. denied, 389 U.S. 1040. The second opinion by the Court of Appeals in this litigation is reported at 434 F.2d 1212, (1970); (App. *infra*, p. 11a).

The Minute Entry of the District Court denying Petitioner's Motion to Dismiss is printed in the Appendix at page 19a. In the Appendix are also printed the District Court's Order of Injunction (1a), Conclusions of Law (2a), Judgment (3a), and Judgment After Accounting (10a).

JURISDICTION

The jurisdiction of this Court is invoked under Title 28 USC 1254(1). While review is admittedly discretionary, it is believed that this petition should be granted under Rule 19 of this Court since the Court of Appeals has decided federal questions in a way in conflict with applicable decisions of this Court; has also departed from the accepted and usual course of judicial proceedings; and has furthermore sanctioned such a departure by the District Court, as to call for an exercise of this Court's power of supervision.

Specifically, what is sought to be reviewed by this Court is the per curiam decision of the Court of Appeals dated December 17, 1970 denying Petitioner's request for a rehearing to remand the case to the District Court for a validity determination of Respondent's patent.

The statutory provisions believed to confer on this Court jurisdiction are 35 USC 281, 282, 283, 284, and 285.

QUESTIONS PRESENTED FOR REVIEW

1. Does a consent decree estop the raising of the issue of the invalidity of a patent in view of this Court's decision in *Lear* v. *Adkins*, 395 U.S. 653 (1969)?

2. Do the patent statutes, 35 USC 284 and 285, regulating the awards of damages and attorney's fees for the infringement of a patent, also regulate civil contempt proceedings for patent infringement?

CONSTITUTIONAL PROVISIONS AND STATUTES INVOLVED

This Case involves:

The Due Process Clause of Amendment 5 of the U.S. Constitution which provides in pertinent part:

> * * * nor shall any person * * * be deprived * * * property, without due process of law * * *.
>
> * * * * *

35 USC 281 provides:

> A patentee shall have remedy by civil action for infringement of his patent.
>
> * * * * *

35 USC 282 provides in pertinent part:

> A patent shall be presumed valid. The burden of establishing invalidity of a patent shall rest on a party asserting it.
>
> The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleased:
>
> (1) Noninfringement, absence of liability for infringement, or unenforceability,
>
> (2) Invalidity of the patent or any claim title as a condition for patentability,
>
> * * * * *
>
> (4) Any other fact or act made a defense by this title. * * *
>
> * * * * *

35 USC 283 provides:

> The several courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.

35 USC 284 provides:

> Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.
>
> When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed.
>
> The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances.

* * * * *

35 USC 285 provides:

> The court in exceptional cases may award reasonable attorney fees to the prevailing party.

* * * * *

28 USC 1254(1) provides:

Courts of appeals; certiorari—

> Cases in the courts of appeals may be reviewed by the Supreme Court by the following methods:
>
> (1) By writ of certiorari granted upon the petition of any party to any civil * * * case * * * after rendition of judgment or decree * * *

BASIS FOR FEDERAL JURISDICTION OF DISTRICT COURT

The jurisdiction of the District Court as a court of first instance in invoked under:

28 USC 1400 provides in pertinent part

Patents—

> (b) Any civil action for patent infringement may be brought in the judicial district where the defendant resides, * * *.

* * * * *

STATEMENT OF THE CASE

Petitioners were sued in an infringement action on October 26, 1961 alleging infringement or Respondent's patent, No. 2,959,555, (Dow patent, hereinafter). No trial on the issues ensued because Petitioners decided, on advice of nonpatent counsel, to sign a consent decree offered as settlement by Respondents on December 7, 1961. In signing the consent decree, Petitioners were required to admit the validity of the Dow patent and damages were set at one dollar. An injunction was also issued by the District Court.

Petitioners, a small company, were competitors of the Respondent (Dow, hereinafter) in the utility boiler cleaning industry. Not being able to use the process of the Dow patent on signing the consent decree, petitioners contacted a company (Amchem Products, Inc.) supplying industrial chemicals in the cleaning field. Petitioners related their plight to Amchem and requested help in order that they could continue the cleaning of utility boilers in competition with Dow. Amchem stated that they had developed a new process using a different chemical than that used in the Dow

patent process which would perform the cleaning of utility boilers. Petitioners were apprehensive, but were told by Amchem that the new process would not infringe the Dow patent, that their legal department had given an opinion of noninfringement, and further that a patent application had been filed on the new process. However, Amchem would not relate the identity of the chemical used in the new process.

Petitioners began to practice the new process developed by Amchem and used the unknown chemical sold by Amchem in their boiler cleaning operations. After several boiler cleaning jobs, Dow filed a contempt action in April 1962 against Petitioners alleging infringement of the Dow patent and violation of the injunction in the use of the Amchem process and unknown chemical.

Amchem attempted to convince Dow that there was no infringement in the Amchem process used by the Petitioners at several meetings between the two companies. Not being successful, Amchem finally disclosed the identity of the chemical in their new process to Petitioners. Petitioners sought legal advice from patent counsel on the matter, were given opinions that there was no infringement based on independently obtained technical advice and legal principles, and further that the Dow patent was of doubtful validity based on results of a patent search which uncovered pertinent prior art which had not been before the Patent Office examiners when the Dow patent issued. On the basis of these opinions, Petitioners decided to contest the contempt charge.

A two-day trial before the District Court in July 1962 was worthless because the District Court reporter could not supply a transcript of the proceed-

ings. A second trial was ordered by the court which did not take place until October of 1964. In the meantime, Petitioners filed a motion to dismiss the contempt charge based on the fact that a patent had issued on the Amchem process and therefore there existed a fair ground of doubt as to the infringement. Accordingly, it was argued, that a regular infringement trial should be held on the real issues arising on the two patents, which would have included the question of validity of the Dow patent. The court denied the motion to dismiss and the Court of Appeals refused to rule on the matter on the first appeal.

At the second trial, the District Court found the Petitioners had infringed the Dow patent after conflicting testimony on the issue by experts on both sides. Incredibly, the District Court held that Petitioners willfully, deliberately, and knowingly violated the injunction based on the undisputed facts outlined above. The District Court's findings of fact were the in toto incorporation of Dow's proposed findings of facts presented with Dow's post-trial brief. The Court of Appeals refused to review the question of the knowing, deliberate and willful nature of the violation and further, viewed conscious and deliberate as substantially the exact equivalent.

After the first appeal to the Court of Appeals which affirmed the District Court's decision, the case was remanded for damages and attorney fees. The District Court found damages in the amount of $23,769.37 and doubled them because of the knowing and willful nature of the violation. Attorney fees and expenses, and salary costs of several of the Dow's employees were also awarded in the total amount of $43,273.67. Attorney fees, etc. were awarded in spite of the fact

that Petitioners requested and obtained a ruling that the case was not an exceptional one under 35 USC 285, regulating such awards in patent cases.

On the second appeal, questioning the awards, to the Court of Appeals, the District Court was affirmed. In the meantime, this Court handed down its decision in *Lear* v. *Adkins,* 395 U.S. 653. Petitioners filed a petition for rehearing and requested the Court of Appeals to remand the case to the District Court for a validity determination of the Dow patent. The petition cited the *Lear* case as a major change in the field of patent law, in that covenants not to contest the validity of patents are not enforceable, mainly on the grounds of public policy. Further, it was alleged and argued that Dow had practiced a fraud on the Patent Office in obtaining the Dow patent. Dow had failed to cite to the Patent Office Examiner its own prior art patent, which it was argued, should have been considered by the Examiner. In fact, the argument was made that the material prior art not cited created a prima facie case of fraud on the Patent Office. The Court of Appeals, in a per curiam decision, denied the Petition for Rehearing.

REASONS FOR GRANTING THE WRIT

One of the Petitioners, Chemical Cleaning, Inc., is now bankrupt as a direct result of the money judgments awarded to the Respondents. The company has not been able to raise needed working capital in view of the judgment. The individuals, John H. Rusch and George Lewis, officers of the company, have had their personal bank accounts and property attached by Dow and face possible financial ruin.

The patent laws were not enacted to provide means for larger companies to stifle and lessen competition from smaller companies. In this case, Dow has been able to use a patent of doubtful validity to bankrupt a competitor company. Through clever legal maneuvering and the harsh confines of the contempt forum, Dow has prevented and avoided any attack on the validity of their patent. In fact, it has never been subject to a validity determination in any jurisdiction. The evidence, if it could be presented to a court, would establish, in all likelihood, that the Dow patent is invalid on its merits in view of prior art not presented to the Patent Office. Dow's failure to present to the Patent Office its own prior art patent would certainly constitute a possible fraud on the Patent Office.

It is submitted that a patent gains no greater stature with respect to validity in a consent decree than it does in a license agreement. Within the rationale of *Lear,* a consent decree should not estop the raising of the defense of invalidity. The federal law of patents requires all ideas in general circulation be dedicated to the common good unless they are protected by a valid patent. The interests of the public are better served if validity challenges of patents are always freely permitted in any litigation and not discouraged or prevented by any means.

The lower courts, in not permitting the Petitioners to raise the issue of non-validity of the Dow patent have deprived the Petitioners of property without due process of law.

This Court in *Lear* overruled its previous holding in *Automatic Radio Co.* v. *Hazeltine Research, Inc.,* 339 U.S. 827 that a licensee was estopped to challenge

the validity of a licensed patent. The Court's rationale was based on public policy and clearly struck down the doctrine of licensee estoppel. In the instant case, a consent decree has estopped a legitimate challenge of the Dow patent.

In a recent case, decided at the federal court level, one signing a consent decree settling an infringement charge with an agreement to be licensed under the patent and to not contest its validity, was permitted to raise the issue of non-validity in a subsequent action by the licensor to recover royalties under the license. *Kraly* v. *National Distillers and Chemical Corp.* (D.C. N. Ill.) (decided October 20, 1970) 168 USPQ 51; —— F.2d ——-. The same result was arrived at in a recent New York Supreme Court decision. *Rialto Products, Inc.* v. *Rayex Corp.,* 166 USPQ 222; —— NYS 2d —— (decided June 30, 1970). The rationale in *Lear* was applied in both cases, that avoidance by settlement of a potential attack on a patent's validity is undesirable in view of public policy.

It is submitted that a consent decree should not estop the raising of the defense of non-validity of a patent.

As a subsidiary question, this Court is respectfully requested to review the issue of whether or not the patent statutes apply to contempt proceedings involving patent infringements. The Court of Appeals has ruled in this case that the specific patent statutes relating to awards of damages and attorney fees do not apply in contempt proceedings for patent infringement. The pertinency of the question in the instant case is manifested by the fact that Petitioners could not have been assessed for attorney fees if the patent

statute, 35 USC 285, were applicable. The District Court held that this was not an exceptional case under 35 USC 285. Accordingly, the court could not have awarded attorney fees. However, the court did award attorney fees based on its general discretion holding that the patent statutes do not apply in contempt proceedings.

The decision by the Fifth Circuit Court of Appeals that the patent statutes do not apply in contempt cases involving patents is in conflict with the decision of the Seventh Circuit Court of Appeals in *Union Carbide Corp.* v. *Graver Tank & Mfg. Co., Inc.,* 282 F.2d 653 (1960), wherein the Seventh Circuit applied 35 USC 285 in determining whether or not attorney's fees should be awarded in a contempt action aspect of that long and involved litigation.

Patent rights are created purely by congressional will and without patent statutes they would not exist. Patent rights are the exception to the deep-rooted policy in this country against monopolies. Patent rights are the most rigid kind of monopoly, since they exclude everyone from trade or commerce in the claimed subject matter of a patent. It is submitted that patent rights should not be permitted to be protected by any device which would preclude judicial scrutiny to determine whether or not the rights are valid.

The remedies for the violations of patent rights are what Congress has seen fit to prescribe expressly, and no more. Title 35 of the U.S. Code sets forth the patent right, how it is acquired, its limitations, and the only remedies for the violation of the right. With respect to damages and attorney fees for vio-

lation of the patent right, 35 USC 284 and 285 expressly set forth the guidelines for their awards. Departure therefrom abrogates the congressional intent.

This Court is respectfully urged to grant this petition.

Respectfully submitted,

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